

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-13 ISO-00 FEA-01 AGRE-00 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 EPG-02 AID-05

SS-15 STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02

OMB-01 /101 W

-----047610 230304Z /64

R 221720Z JUN 77

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC 0441

INFO ALL EC CAPITALS

USMISSION GENEVA

LIMITED OFFICIAL USE BRUSSELS 06570

USEEC

GENEVA ALSO FOR MTN

PARIS ALSO FOR OECD

E.O.11652:N/A

TAGS: ETRD, EEC

SUBJECT: ARTICLE 113 COMMITTEE DISCUSSION OF MTN ISSUES

REFS: (A) STATE 139097; (B) BRUSSELS 6198; (C) GENEVA

4726; (D) GENEVA 5030

1. INDICATIONS FROM COMMISSION AND MEMBER STATE SOURCES  
HERE ARE THAT ARTICLE 113 COMMITTEE MEETING ON JUNE 17  
HAD RATHER BRIEF DISCUSSION ON MTN ISSUES. MEETING WAS  
THE LAST TO BE ATTENDED BY RETIRING DIRECTOR GENERAL THEO  
HIJZEN; NEW DG-I DEPUTY DIRECTOR GENERAL JOS LOEFF ALSO  
CHAIRLED TRADE DISCUSSION FOR FIRST TIME. FOLLOWING  
POINTS ARE OF SOME INTEREST.

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2. ACCORDING TO GATT DIRECTOR PHAN VAN PHI, COMMISSION  
DISCUSSED WITH MEMBER STATES THE PROS AND CONS OF GOING  
AHEAD WITH A DEFINITE PROPOSAL ON SPECIAL AND DIFFEREN-  
TIAL TREATMENT FOR LDCS AT THE JUNE 29 - JULY 1 FRAME-  
WORK GROUP MEETING. HE ASSURED US THAT, WHILE COMMISSION  
DOES NOT TOTALLY ACCEPT THE JUSTIFICATIONS ADVANCED BY  
US (REFTEL A) WE NEED NOT BE CONCERNED ABOUT POSSIBILITY

THAT EC WOULD BE TABLING PROPOSAL SHORTLY. A MEMBER STATE SOURCE INFORMS US THAT, IN FACT, THE COMMISSION WAS OUT IN FRONT OF MOST OF THE MEMBER STATES ON THIS ISSUE. MEMBER STATES REPORTEDLY AUTHORIZED COMMISSION TO DO LITTLE MORE THAN HINT AT THE OUTLINE OF A PROPOSAL IN THIS AREA. WE CONTINUE TO RECOMMEND CONSULTATION WITH EC IN ADVANCE OF JUNE 29 MEETING ON THIS QUESTION.

3. SUBSIDIES/COUNTERVAILING DUTIES: WE SHARE GENEVA'S IMPRESSION (REFTEL C) THAT COMMISSION IS MOVING TOWARD A PURELY NEGATIVE STANCE ON CANADIAN DRAFT ON SUBSIDIES/COUNTERVAILING DUTIES. COMMISSION REPORTEDLY TOLD MEMBER STATES THAT CANADIANS HAVE LOST INTEREST IN PUSHING US TO ADOPT AN INJURY CLAUSE IN ITS COUNTERVAILING DUTY LAW AND THAT CANADIAN DRAFT IS BECOMING TOO CLOSE TO US POSITION TO BE USEFUL AS A NEGOTIATING DOCUMENT. OUR IMPRESSION IS THAT NEITHER COMMISSION NOR MEMBER STATES HAVE MADE UP THEIR MIND FULLY, HOWEVER, AND THAT SUBSIDIES/COUNTERVAIL IS ONE OF KEY AREAS NOW BEING EXAMINED IN COMMISSION INTERNAL REVIEW PRIOR TO US/EC BILATERALS ON THE MTN NEXT MONTH.

4. SAFEGUARDS: EC HAS APPARENTLY NOT YET BROKEN THROUGH IMPASSE ON SELECTIVITY ISSUE, WITH UK STILL IN FAVOR AND FRG AND ITALY RESISTING.

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5. TARIFFS: QUESTION OF TARIFFS AND EXCEPTIONS WAS NOT DISCUSSED IN DEPTH AT JUNE 17 MEETING. ON THE OTHER HAND, ONE MEMBER STATE SOURCE TELLS US THAT COMMISSION PARTICIPANTS WERE EMPHASIZING IMPORTANCE OF ACHIEVING SIMULTANEOUS AGREEMENT ON A TARIFF FORMULA AND FEW OR NO EXCEPTIONS. COMMISSION THINKING WAS APPARENTLY NOT FULLY SPELLED OUT BUT COULD BE INTERPRETED TO MEAN THAT COMMISSION WOULD NOT OBJECT TO A CUT LESS SIGNIFICANT THAN THE FORMULA THEY HAVE ALREADY TABLED IN GENEVA IF THIS WOULD AVOID A LONG EXCEPTIONS EXERCISE. WE HAVE RECENTLY HEARD THIS LINE FROM COMMISSION AS WELL, LEADING US TO CONCLUDE THAT EC MAY AT LEAST BE CONSIDERING A RETREAT TO A SMALLER TARIFF REDUCTION FORMULA. MORRIS

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## Message Attributes

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**Review Markings:**  
Margaret P. Grafeld  
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